

ARIZONA STATE SENATE

45TH LEGISLATURE
FIRST REGULAR SESSION

MINUTES OF COMMITTEE ON APPROPRIATIONS

DATE: October 24, 2001

TIME: 1:00 p.m.

ROOM: 109

CHAIRMAN: Senator Solomon

VICE CHAIRMAN: Senator Bee

ANALYST: Deborah Johnston

**COMMITTEE
SECRETARY:** Melissa C. Upshaw

ATTENDANCE

BILLS

<u>Committee Members</u>	<u>Pr</u>	<u>Ab</u>	<u>Ex</u>	<u>Bill Number</u>	<u>Disposition</u>
Senator Arzberger	X				
Senator Blanchard	X				
Senator Cirillo	X				
Senator Guenther		X			
Senator Hamilton		X			
Senator Hellon	X				
Senator Martin	X				
Senator Mitchell		X			
Senator Rios	X				
Senator Verkamp	X				
Senator Bee, Vice Chairman	X				
Senator Solomon, Chairman	X				

GOVERNOR'S APPOINTMENTS

Tape 1, Side A

The meeting was called to order by Chairman Solomon at 1:10 p.m and attendance was noted.

Senator Solomon stated that they would have some numbers for budget reductions from the Governor by November 1 and that the numbers would be distributed before the next meeting. She stated that the House has some controversial issues in their proposal such as: state employee pay raises, urban revenue sharing, TPT revenue sharing, and state comp fund issues. It would be good to reach some agreement between the House and the Senate before November 13. She further stated that there are some long-term issues that need to be addressed in the 2003 budget. The House is strongly opposed to bonding but some Senate members have supported bonding. The amount of money that will be used from the budget stabilization fund is an issue. The Treasurer testified in the House Appropriations Committee that \$200 million must be retained in the budget stabilization fund for alt-fuels. Joint Legislative Budget Committee (JLBC) and Office of Strategic Planning and Budget (OSPB) have agreed that \$110 million will be the cost for alt-fuels. The House has \$190 million for K-12 rollover, which the Senate has not supported. These are the issues being discussed.

Senator Cirillo stated there are some areas in which money is not being spent quickly or programs and could possibly be delayed for budget purposes, especially capital improvements.

Senator Solomon agreed with Senator Cirillo. She stated that she has asked JLBC to remove action capital facilities on the Joint Committee on Capital Review (JCCR) agenda.

Senator Blanchard remarked that at the last meeting they stated the FY 2002-2003 general fund capital outlay appropriations for Department of Emergency and Military Affairs (DEMA's) Project Challenge was a quarter of a million dollars for a dormitory and operational support building at the new campus. The analyst stated that these monies were needed because the federal government was no longer supporting the program. Project Challenge is now funded at a 60 percent federal and 40 percent State. There will be a bill introduced to revert that to the original 75/25.

Senator Solomon stated that homeland security is a sophisticated operation. There are many law enforcement personnel involved. We need to think about some of these agencies during this budget session.

Joni Hoffman, Rules Attorney, stated that the issue is whether Prop 301 is subject to Prop 105. The conclusion from last session is that Prop 301 was a referendum. It is subject to Prop 105. The Legislative Council attorneys disagree with that opinion and the House Rules Attorney agrees with the opinion. Prop 105 required that any legislation that changes, amends, or repeals a referendum would have to have a three-fourths vote and further the purpose of the referendum.

Senator Cirillo commented that they said that the \$2.5 billion of the K-12 budget cannot be touched and he does not think that is correct. Ms. Hoffman stated that if it is in Prop 301, it is protected by the Voter Protection Act.

Senator Cirillo further stated that Prop 301 was an increase in the State sales tax to provide certain additional expenditures for education. This should not have anything to do with what was being spent on education before Prop 301. Ms. Hoffman again stated that it cannot be changed without a three-quarter vote by the Legislature.

Senator Solomon asked if the State were already paying for certain education costs prior to Prop 301, and if the State were interested in using Prop 301 monies designated for inflation for special education purposes, would that be a violation of Prop 105. Ms. Hoffman stated that Cindy would address that issue.

Cindy Bailey, Rules Attorney, stated that the language in Prop 301 adds 2 percent to the base level and the other components for inflation. The House and Senate attorneys are in agreement. The Legislature considered the number to be both the base level and the other components. However, the legislation does say "or" not "and." Therefore, Prop 301 requires it to be done one way or the other. The bottom line is what the court will say.

Mr. Steve Schimpp began his presentation of FY 2002-FY 2003 Budget Overviews of Selected Education and Natural Resources by presenting a handout (Attachment A). He stated that they had gone through this document before, so it will be review. He stated that the numbers are in millions and that the first number in each column is the FY 2001 base budget and all of the numbers below are increments above or below that base. The bottom number is the net change from FY 2001 and the final two numbers on the bottom are the grand total general fund budgets for the agency for each year of the biennium. There are five different sections: technical changes, formula/caseload, legislative mandates, other policy issues and separate legislation. Mr. Schimpp went over the numbers on the handout. He stated that the majority of the money for K-12 is in the formula/caseload section. Enrollment growth is the key area with \$105 million added to the base in FY 2002 and \$231 million added to the base in FY 2003.

In response to Senator Solomon, Mr. Schimpp stated that the Average Daily Membership (ADM) count last year was about 5,000 students less than expected. Therefore, these numbers are a bit high.

Senator Solomon asked if the Legislature were to override Truth in Taxation, how would the monies be raised. Mr. Schimpp commented that you would be rolling back the reductions in the qualifying tax rate and the county equalization tax rate. The local tax rates would go back up to what they were last year. The local taxpayers would have to pitch in more money which would reduce the state costs.

Senator Cirillo commented that he would hate to see them go in that direction.

Senator Solomon asked what was being spent for Arizona Instrument to Measure Standards (AIMS). Mr. Schimpp stated that it is \$3.4 million in 2002 and about \$3.7 million in 2003.

Senator Blanchard asked about the changes in the Department of Education (ADE) budget. In terms of a percent, how much of the funds would not pass through. Mr. Schimpp commented that the administrative budget is small. It is about a half of a percent. He further commented that most of the money passes through the department.

Senator Cirillo commented that education consumes 40 percent of the budget and if it is kept off the table, there will be deeper cuts in other programs. It is unfair to state that education is more deserving than other agencies. He would ask them to take a \$50 million cut out of the \$2.6 billion budget.

Tape 1, Side B

Senator Solomon stated that the Governor has requested that. Mr. Schimpp stated that the Department offered four percent of the administrative money.

Senator Arzberger stated that this Department has been under paid for a long time. The budget needs to consider how the economy will do in three years. State revenues will go up so education should not be cut. Student's FIRST gave a break on local property taxes and put more income taxes in the general fund. The Legislature should redo Student's FIRST and allow districts to tax up to their capacity. It would not be a tax increase.

Senator Hellon stated that one of the main responsibilities of the State government is to provide good public education and she does not support reducing the K-12 budget.

Senator Verkamp commented he agreed with Senator Arzberger.

Senator Rios also agreed.

Senator Bee stated that they should make sure that the dollars for bilingual programs are being spent appropriately.

Senator Martin commented that the budget distribution and funding needs to be restructured and reprioritized. He stated that he is in favor of increasing teacher salaries.

Senator Arzberger suggested that they put a moratorium on start-ups of new charter schools. Arizona has the highest number of charter schools in the nation.

Mr. Schimpp commented that there are no separate start-up monies for charter schools. It has to be financed privately.

Senator Martin stated that charter schools do not receive school facilities board money. It is done by an allotment per child and they are doing a good job.

Senator Solomon stated that there is no evidence that charter schools are doing a better job or paying teachers more.

Senator Bee commented that the dollars in education have not been reaching the teachers or classroom.

Senator Solomon stated that there are areas in the budget that are funded, but no longer are available.

Mr. Bruce Groll stated that the community colleges budget is on page two of the handout and it shows the changes above FY 2001 for FY 2002 and FY 2003. The State Board' of Directors for Community Colleges budget makes up less than one percent of the total general fund appropriation. He further presented a handout entitled Community Colleges Source of Funds Summary Fiscal Year 2001: \$579.6 million total (Attachment B). He presented another handout entitled Community College Tax Rates and Assessed Values FY 2000 and FY 2001 (Attachment C).

In response to Senator Cirillo, Mr. Groll stated the community college formula is funded two years in arrears in terms of the actual enrollment being funded in 2002 and 2003. It is actually 2000 and 2001 student enrollment.

Senator Solomon asked how it is determined what the State general fund share should be. Mr. Groll stated that the formula does not look to a particular percentage of what the State contribution amount should be versus the rest of the pie chart. At one time there was a formula that stated the State would pay up to one third. Senator Solomon stated the State funds the Full Time Equivalent (FTE) based on what the enrollment was two years ago which makes up the State general fund portion. Even if they were to raise tuition and fees, the State would still be funding the general fund portion according to FTE. Mr. Groll stated that is correct.

Senator Solomon further stated that the community colleges come to the State and request other funds for projects. If they raise tuition and fees and if they levy a higher district tax, they then may not request more monies. It is still up to the Legislature whether or not the State will fund these decision packages regardless of their request.

Lorenzo Martinez stated that the last sheet in the handout is the universities' budget for this biennium. The changes were driven by an annualization of a pay increase that was authorized in the prior biennium.

Senator Cirillo asked about the student enrollment component of the formula showing two negative numbers. Enrollment is suppose to be at an all-time high. He asked if the numbers are exposed. Lorenzo stated that 2002 enrollment was less than 2001 enrollment. That decrease was carried over into 2003.

Senator Solomon commented that the universities have provided the Governor information on four percent reductions in their budgets. She would like to keep that at four percent.

Representative Hellon agreed with the four percent and to allow those entities to decide where the cuts will be made.

Senator Cirillo commented that he supports that.

Senator Verkamp commented that he also would like to stick with the four percent cut.

There being no further business, the meeting adjourned at 2:25 p.m.

Respectfully submitted,

Debbie Kennedy

(Tapes and attachments on file in the Secretary of the Senate's Office/Resource Center, Room 115.)

